

**FULTON COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

To the Chairperson and Board of the  
Fulton County Industrial Development Agency  
Johnstown, New York

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Fulton County Industrial Development Agency, a public benefit corporation, a component unit of the County of Fulton, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fulton County Industrial Development Agency, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County Industrial Development Agency's basic financial statements. The supplemental information on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 20 through 23 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York  
March 14, 2017

# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2016

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The following is a narrative overview and analysis of the financial activities of Fulton County Industrial Development Agency (IDA or Agency) for the fiscal year ended December 31, 2016. This discussion is intended to serve as an introduction to the Agency's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) Agency-wide financial statements, (3) notes to the financial statements and (4) supplemental schedules.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information. The basic financial statements include two statements that are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status.

#### Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net position and how it has changed. Net position – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional nonfinancial factors such as changes in the New York State government, labor forces and land availability.

### I. GENERAL OPERATIONS

#### A. Background:

The Fulton County Industrial Development Agency (IDA) was created in 1970 by an act of the New York State Legislature as a corporate governmental agency constituting a public benefit corporation. The purpose of an Industrial Development Agency (IDA) is:

“to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their standard of living.”

## **B. Mission Statement:**

The IDA's Mission Statement is as follows:

"The IDA's mission is to create and promote economic growth and prosperity for both residents and entrepreneurs in Fulton County. The IDA's role in Fulton County's Economic Development Program is to develop and maintain an inventory of shovel-ready sites for new and expanding businesses, offer financial incentives, as may be required, to encourage the creation of new and retention of existing jobs and expand the County's tax base. In doing so, the IDA strives to make Fulton County a desirable place to live and do business."

## **C. Tax Exemptions:**

The New York State Legislature authorizes IDAs to offer three (3) types of tax exemptions to stimulate private sector investment and create jobs:

### **1. Property Tax:**

New York State Law designates IDA's as tax exempt entities. When an IDA holds title to real property, New York State Law says all improvements on the property are exempt from real property taxes. However, the land that the improvements are located on, remain taxable.

However, for projects the IDA is involved with, the IDA requires companies to enter into a Payment In Lieu Of Tax Agreement (PILOT). A PILOT is a contractual agreement between the IDA and a company that states that even though the project is tax exempt due to IDA ownership, the company shall make PILOT payments to local taxing jurisdictions in lieu of paying taxes. PILOT Agreements stipulate that companies make PILOT payments to local taxing jurisdictions that are based upon a percentage of the property tax that would otherwise be due if the property was not owned by the IDA. PILOTs are developed in accordance with the IDA's Uniform Tax Exemption Policy. Once a PILOT is executed, the company makes the required annual PILOT payments to local taxing jurisdictions in accordance with the PILOT. It is the responsibility of the local taxing jurisdictions to issue annual invoices under a PILOT to the company and to ensure that payments are received in a timely manner.

### **2. Sales Tax:**

IDA's can offer companies an exemption from New York State and local sales taxes on eligible construction materials and equipment for a project. The exemption is generally limited to the construction, reconstruction or installation period and cannot cover ongoing operational costs. When the lease or installation sale agreement expires, the IDA transfers any personal property that is involved in the project to the company without the payment of any sales or use tax.

### **3. Mortgage Recording Tax:**

If a project involves a mortgage, a company that receives IDA assistance is exempt from New York State's mortgage recording tax, which is currently 1% in Fulton County.

## **D. Financing:**

IDA's can also provide various forms of bond financing for a project. Financial institutions, such as banks, insurance companies or private individuals purchase these bonds as an investment similar to an individual purchasing a U.S. Government Savings Bond. By purchasing a bond, a private investor lends its funds to a business. The business commits to repay the principal and interest, if the bonds are taxable, to the investor. The business and the financial institution, independent of the IDA, negotiate the terms, interest rate and other conditions of the transaction. The IDA acts as an intermediary for this private transaction. There are no IDA or public funds involved in an IDA bond transaction.

The IDA does not have a loan fund or pool of money to use to help finance projects. The financing referred to here is private funds coming from banks, financial institutions or private investors.

The IDA, Fulton County Government or Fulton County taxpayers, do not lend any public money nor do they assume any responsibility for repaying bonds if a company defaults on any payment. There is also no financial liability on the IDA, Fulton County or taxpayers. Bond payments are solely the responsibility of the company borrowing the money.

**E. Payment in Lieu of Tax Agreements (PILOTS):**

**1. Background:**

The IDA provides Payment in Lieu of Tax Agreements in accordance with its Uniform Tax Exemption Policy. The IDA's current policy states that it will provide PILOT's modeled after Section 485-b of NYS's Real Property Tax Law. Section 485-b states that a company can receive a 50% exemption on its assessed valuation in year 1. The exemption then decreases 5% a year for 10 years. After ten (10) years, the company would make a PILOT payment equivalent to 100% of the amount it would be paying in real property taxes if it owned the property. During that 10-year period, the company would be making "PILOT payments" to local taxing jurisdictions and not "property tax payments." Once the Lease and PILOT Agreement the IDA has with a company expires, the property would then return to the tax rolls. At that time, the company would be making "property tax payments" to local taxing jurisdictions and no longer be making "PILOT payments."

**2. IDA Projects with PILOT's:**

The following IDA Projects have active PILOT's as of December 31, 2016:

Owner	Lessee	Address	Occupant
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane

**F. IDA Projects:**

The following is a list of all active IDA projects as of December 31, 2016:

Owner	Lessee	Address	Occupant
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane
IDA*	CIC	4104 State Highway 30, Perth, NY	NLH's Perth Primary Care Clinic
IDA*	YMCA	213 Harrison Street, Gloversville, NY	YMCA

\* IDA bonds were issued.

## **II. SUMMARY OF 2016 ACTIVITIES:**

The IDA Board met eleven (11) times in 2016. The following is a summary of the key activities addressed by the IDA Board in 2016:

### **1. TRYON TECHNOLOGY PARK PROJECT:**

#### **1. Background:**

2016 was another very busy year for the IDA with respect to the Tryon Technology Park Project. The IDA Board, in partnership with the Fulton County Board of Supervisors, continued work on transforming the former Tryon Juvenile Detention Facility into shovel-ready sites for new businesses. The following is a summary of the activities that took place in 2016:

#### **a. New Electric System:**

When Tryon was run by the State of New York, the electrical service at Tryon was owned by New York State. New York State owned the facility to get the most cost effective rates for buying electricity from National Grid. When the State transferred title of Tryon over to the IDA in 2014, the IDA took ownership of the existing electrical system within Tryon. Since that time, the IDA has been working with National Grid to get National Grid to install a new underground electric service around the perimeter of County Road 117. Once National Grid installs this new service, the IDA could discontinue its existing electrical service and get out of that business. At that time, the new electric service would be owned, operated and maintained by National Grid. In the spring of 2016, National Grid advised the IDA Board that it was ready to start work on the design for this new electric system. They advised the IDA Board that, in order for them to proceed, they required a \$10,000 payment from the IDA upfront to pay for their design costs. The IDA reluctantly wrote a \$10,000 check to National Grid in April of 2016. Several months later, National Grid advised the IDA that it was now requiring that the property corners be surveyed and staked so that National Grid could identify all property corners. The IDA Board authorized Ferguson & Foss to do this work at an additional cost not to exceed \$1,000. In the fall of 2016, National Grid advised the IDA that it was now requiring offset stakes be placed at each of the property lines so that National Grid could visualize where the property lines actually were. The IDA Board authorized Ferguson & Foss to do this additional work at a cost not to exceed \$700.

In late 2016, a meeting was held with National Grid representatives at Tryon. At that meeting, National Grid advised that they would be installing a new underground electric service along the perimeter of County Road 117. This would consist of approximately 7,400 linear feet of wire. The new electric service will be installed in 5" conduits. National Grid would be installing electrical switchgear at each of the property corners that were staked. National Grid then advised that either Fulton County or the IDA must provide and pay for the following:

1. Supply and install two (2) 5" conduits in surrounding exterior of County Road 117. This would total approximately 14,800 linear feet of 5" conduits.
2. Dig the trench for the conduits.
3. Backfill the trench.
4. Supply and install electrical hand holes every 400' (18+/-).
5. Acquire easements from private property owners along County Road 107 that will be needed for guyed wires on several new poles that National Grid will be installing along County Road 107.

Fulton County and the IDA are waiting for National Grid to submit its design plans. Once these plans are submitted, pricing will be obtained for performing the work National Grid states that either Fulton County or the IDA must perform.



b. Regional Business Training and Incubator Center:

The IDA and Fulton County jointly received a grant from the Northern Borders Regional Commission (NBRC) to use to restart the HVAC system in Building 3 at the Tryon Technology Park. Building 3 is the former Educational/Recreational Center. The goal was to repurpose this building into a Regional Business Training and Incubator Center. The Building's HVAC System has been shut down since Tryon was closed in 2011. In order to repurpose this building, its HVAC System needs to be restarted and made operational. The NBRC awarded a grant in the amount of \$184,153. This grant will be matched by \$65,847 from the IDA. Fulton County will also be contributing a \$150,000 towards this project.

A Buildings Conditions Evaluation the IDA authorized in 2015 was completed in early 2016. The evaluation concluded that it would be cost prohibitive to restart the HVAC System for all of Building 3. The IDA discussed conducting an engineering evaluation on establishing a standalone HVAC System for just the F-wing of Building 3. The IDA proposed this concept to the Board of Supervisors, who supported it. The concept was then presented to the NBRC. The Commission also endorsed the concept. Fulton County then went out with an RFP to obtain pricing from engineers to prepare the engineering evaluation. Four (4) proposals were received and C.T. Male was hired to perform the evaluation. C.T. Male completed their evaluation which concluded it was feasible to create a separate HVAC System for the F-wing. Fulton County then, in late 2016, hired C.T. Male to prepare design plans and bid specifications for the project. It is hoped that the construction work on this standalone HVAC System will be completed in 2017.

c. Commercial Real Estate Broker:

The IDA Board discussed the concept of retaining a commercial real estate broker to market Tryon's shovel-ready sites and buildings. The IDA Board went out with a Request for Proposals (RFP) to obtain cost proposals from interested commercial real estate brokers. The IDA Board received two (2) proposals. After interviewing both firms, the IDA Board sought the input of its partner, the Fulton County Board of Supervisors, on whether they thought hiring a commercial real estate firm would be the best approach for marketing Tryon. The Economic Development and Environment Committee of the Fulton County Board of Supervisors met and discussed this concept thoroughly. After its discussion, it was the unanimous consensus of the Economic Development and Environment Committee to recommend that the IDA Board not hire the commercial real estate broker to market Tryon. As a result of the input received, the IDA Board decided to not pursue hiring a commercial real estate broker to market Tryon.

d. Phase II Infrastructure Improvement Project:

The Phase II Project, undertaken by the Fulton County Board of Supervisors, involved disconnecting the water service to Tryon from the Hale Creek Correctional Facility. This was done at the request of the State Department of Corrections and Community Supervision who operates the Hale Creek Facility. This project involved constructing a new water pumping station and a new 300,000 gallon elevated water storage tank at Tryon. The County awarded a construction contract to W.M. Schultz Construction, Inc. of Ballston Spa, NY. This project was commenced in 2015 and completed in 2016. This Phase II Project was funded in part by a \$180,000 ESD Grant.

e. Evaluation of Solar Energy at Tryon:

In 2015, the IDA Board hired C.T. Male to evaluate the potential for developing a solar array at Tryon. C.T. Male's work was completed in late 2016. A final report will be presented to the IDA in early 2017.

f. Wastewater Pump Station:

Several problems developed with the wastewater pump station in 2016, including a clogged sewer main, infiltration and inflow and a faulty float. The IDA retained various contractors to make the necessary repairs.

g. Building Demolition:

The Fulton County Demolition Team arrived at Tryon in June of 2016 and began demolition work on approximately six (6) buildings on the east side of County Road 117. The Demolition Team completed the demolition work on four (4) of those buildings in 2016. It is hoped that they will be able to complete the demolition of the remaining two (2) buildings in 2017.

h. Entrance Sign/Logo:

The IDA Board partnered with the Fulton County Board of Supervisors in hiring Adirondack Signs of Saratoga, NY to construct an attractive entrance sign for the Tryon Technology Park. Design work on the sign commenced in 2015. The sign was installed in the spring of 2016.

In addition, new banners were installed on the entrance to the Tryon Technology Park.

i. NYS Police:

The IDA Board continued its relationship with the NYS Police by allowing the State police to utilize existing buildings at Tryon for various training exercises.

**2. JOHNSTOWN RENEWABLES PROJECT**

In 2016, the IDA received an application from Johnstown Renewables to sell them a 5 +/- acre parcel of land in the Johnstown Industrial Park to construct and operate a facility that would take whey from FAGE's yogurt manufacturing process and convert it into ethyl alcohol and an animal feedstock. This proposed \$15 million+/- project will create approximately 25 new jobs. The site is across Enterprise Drive from FAGE's plant and immediately east of Euphrates Cheese. The IDA Board approved selling the lot to Johnstown Renewables and authorized the execution of a lease and PILOT Agreement with the Company. The lease and PILOT will not be executed and take effect until 2017. The IDA looks forward to the 2017 start-up of this project.

**3. VIREO HEALTH OF NY, LLC PROJECT:**

The IDA Board authorized the sale of a 20+/- acre parcel of land to Vireo Health of NY, LLC. The closing on this lot sale was completed in early 2016.

**4. REGIONAL BUSINESS PARK PROJECT:**

Work on the Regional Business Park Project continued in 2016. Under New York State's Municipal Annexation Law, a SEQR review must be conducted on a petition for annexation before the affected municipalities can vote on whether to approve or disapprove the proposed annexation. In 2016, the SEQR review process commenced on this proposed annexation. The four (4) local municipalities all requested to be designated the Lead Agency to conduct the Coordinated SEQR Review. The Commissioner of the NYSDEC had to intervene and chose the Town of Mohawk in Montgomery County to serve as the Lead Agency. As Lead Agency, the Town of Mohawk issued a Positive Declaration requiring the preparation of a Draft Environmental Impact Statement (DEIS). The Town of Mohawk then declared Fulton County as a Project Sponsor and required the County to pay for and prepare the DEIS. Fulton County agreed to do so in partnership with Montgomery County and the City of Johnstown. In late 2016, Fulton County authorized the distribution of a Request for Proposals (RFP) to engineering firms to prepare the DEIS. It is anticipated that the DEIS will be completed in 2017.

## 5. CAPITAL RESOURCES CORPORATION:

Industrial Development Agencies in New York State had, for many years, been authorized to issue tax-exempt revenue bonds for charitable entities. The authorization to do so expired in 2008. In 2016, the IDA Board discussed an alternative that now exists to allow not-for-profit entities to access tax-exempt revenue bond financing. This alternative involves the formation of a Capital Resources Corporation (CRC) under New York State's Not-for-Profit Corporation Law. A CRC would generally exist for the same public purposes as an IDA and would have the power to issue tax-exempt bonds for the benefit of not-for-profit borrowers. The IDA met with IDA Bond Counsel to discuss the concept of creating a CRC. The IDA Board approved moving forward with creating a CRC. The IDA's recommendation to proceed was forwarded to the Fulton County Board of Supervisors for their review and consideration. The Fulton County Board of Supervisors had several questions regarding the creation of a CRC. After further discussions, the IDA Board decided to put on hold the potential creation of a CRC. The IDA Board decided that it may reconsider pursuing such a corporation in the future if a potential project arose that would desire to have tax-exempt financing.

## 6. IDA REFORM LEGISLATION:

The IDA took several actions in 2016 in response to IDA Reform Legislation that was passed by the New York State Legislature. The following actions were taken:

1. Adopted criteria for reviewing project applications.
2. Identified criteria that would be used to annually monitor projects.
3. Added criteria into the Clawback Policy.
4. Adopted a revised Project Application.

## 7. OTHER:

The IDA Board also took the following additional actions during 2016:

1. The IDA Board reregistered the tanks at the Tryon Technology Park with NYSDEC.
2. The IDA Board authorized a contract with Greenscapes to cut grass at the Tryon Technology Park.
3. The IDA became a member of the Fulton County Center for Regional Growth.
4. The IDA Board adopted a 2017 Budget.

The IDA Board appreciates the strong partnership it has with the Fulton County Board of Supervisors on the Tryon Technology Park and looks forward continuing and strengthening that partnership.

## III. SUMMARY OF FINANCIAL RESULTS

**Table A-1**  
**Condensed Statements of Net Position**

	<b>2016</b>	<b>2015</b>	<b>Dollar Change Increase/ (Decrease)</b>
<b>Assets</b>			
Current assets	\$ 1,304,591	\$ 1,058,482	\$ 246,109
Development projects	3,153,037	3,449,884	(296,847)
<b>Total Assets</b>	<b>4,457,628</b>	<b>4,508,366</b>	<b>(50,738)</b>
<b>Liabilities</b>			
Current liabilities	467,202	417,112	50,090
Long-term debt	514,708	514,708	0
<b>Total Liabilities</b>	<b>981,910</b>	<b>931,820</b>	<b>50,090</b>
<b>Net Position</b>			
Net investment in capital assets	2,638,329	2,935,176	(296,847)
Unrestricted	837,389	641,370	196,019
<b>Total Net Position</b>	<b>\$ 3,475,718</b>	<b>\$ 3,576,546</b>	<b>\$ (100,828)</b>

## Changes in Net Position

The IDA's revenue was \$84,661 (see Table A-2).

The total cost of all programs and services amounted to \$185,489 for 2016. The expenses are comprised predominantly of project development costs (76%), salaries and benefits (12%) and professional fees (11%).

Net position for the year decreased by \$100,828.

**Table A-2**

### Changes in Net Position from Operating Results

	<u>2016</u>	<u>2015</u>	<u>Dollar Change Increase/ (Decrease)</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 11,000	\$ 25,230	\$ (14,230)
Grants and other program revenues	96,227	8,820	87,407
<b>General Revenues</b>			
Interest income	240	193	47
Income from early lease termination	0	17,917	(17,917)
Net (loss) from lot sales/foreclosures	(22,806)	0	(22,806)
<b>Total Revenues</b>	<u>84,661</u>	<u>52,160</u>	<u>32,501</u>
<b>Expenses</b>			
Development project costs	141,073	34,394	106,679
Insurance	0	6,031	(6,031)
Miscellaneous expense	63	627	(564)
Salaries and benefits	21,874	21,499	375
Meetings and conferences	520	722	(202)
Memberships	1,750	750	1,000
Professional fees	20,209	14,824	5,385
<b>Total Expenses</b>	<u>185,489</u>	<u>78,847</u>	<u>106,642</u>
<b>(Decrease) in Net Position from Operations</b>	<u>\$ (100,828)</u>	<u>\$ (26,687)</u>	<u>\$ (74,141)</u>

#### A. LONG-TERM DEBT:

As of December 31, 2016, the IDA had \$514,708 in long-term debt outstanding. More detailed information about the IDA's long-term debt is included in the notes to basic financial statements.

**Table A-3**

### Outstanding Long-Term Debt

	<u>2016</u>	<u>2015</u>
City of Groversville	\$ 150,267	\$ 150,267
Board of Water Commissioners	89,124	89,124
Community Development Agency	74,961	74,961
Promote Groversville Development Agency	50,089	50,089
Fulton County Economic Development Corporation	150,267	150,267
<b>TOTALS</b>	<u>\$ 514,708</u>	<u>\$ 514,708</u>

#### **IV. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)**

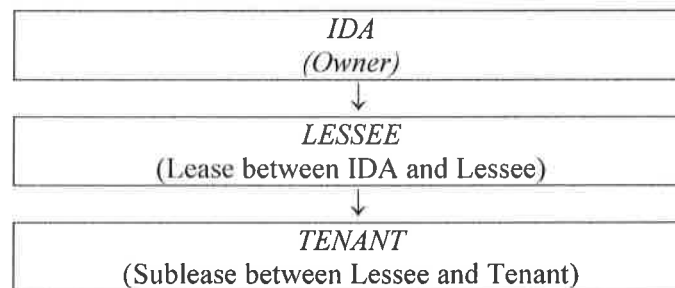
##### **A. Background**

As of December 31, 2016, the IDA had two (2) active PILOT Agreements as shown below:

<b>Owner</b>	<b>Lessee</b>	<b>Address</b>	<b>Tenant</b>
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road	CG Roxane

##### **B. Project Structure**

In most projects, the IDA “owns” the real property, machinery and equipment and leases them to a Lessee. The Lessee, in turn, subleases the real property and machinery and equipment to a business:



At the end of the lease term, ownership of the real property, machinery and equipment is transferred from the IDA to either the Lessee or Tenant. Once title is transferred, the real property becomes fully taxable.

#### **V. CONCLUSION**

The Fulton County IDA looks forward to 2017 with the hope and expectation of positive economic development initiatives being undertaken.

#### **VI. CONTACTING THE IDA'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, please contact:

Fulton County Industrial Development Agency  
1 East Montgomery Street  
Johnstown, NY 12095  
Phone: 518-736-5660

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

DECEMBER 31, 2016

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**ASSETS**

**CURRENT ASSETS:**

Cash in bank	\$ 831,903
Cash - restricted	465,470
Accounts receivable	<u>7,218</u>

<b>Total current assets</b>	<b>1,304,591</b>
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<b>DEVELOPMENT PROJECTS</b>	<b><u>3,153,037</u></b>
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<b>TOTAL ASSETS</b>	<b><u>4,457,628</u></b>
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**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable	1,732
Due to City of Johnstown	<u>465,470</u>

<b>Total current liabilities</b>	<b>467,202</b>
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<b>LONG-TERM DEBT</b>	<b><u>514,708</u></b>
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<b>TOTAL LIABILITIES</b>	<b><u>981,910</u></b>
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**NET POSITION**

Net investment in capital assets	2,638,329
Unrestricted	<u>837,389</u>

<b>TOTAL NET POSITION</b>	<b><u>\$ 3,475,718</u></b>
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See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

		<u>Program Revenue</u>		<u>Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Other Program Revenues</u>	
<b>FUNCTION/PROGRAMS</b>	<u>Expenses</u>			
Development projects	\$ 141,073	\$ (600)	\$ (96,227)	\$ (44,246)
Miscellaneous expense	63	0	0	(63)
Meetings and conferences	520	0	0	(520)
Memberships	1,750	0	0	(1,750)
Professional fees	20,209	(10,400)	0	(9,809)
Salaries and benefits	21,874	0	0	(21,874)
<b>Total function/programs</b>	<u>\$ 185,489</u>	<u>\$ (11,000)</u>	<u>\$ (96,227)</u>	(78,262)
<b>GENERAL REVENUE</b>				
Interest income				240
(Loss) from lot sales/foreclosure				<u>(22,806)</u>
<b>CHANGE IN NET POSITION</b>				(100,828)
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>3,576,546</u>
<b>TOTAL NET POSITION - END OF YEAR</b>				<u>\$ 3,475,718</u>

See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2016**

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**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:**

Expenses in excess of revenues	\$ (100,828)
Adjustments to convert to cash:	
(Increase) in accounts receivable	(7,218)
Decrease in developmental property	296,847
(Decrease) in accounts payable	15
Increase in due to City of Johnstown	<u>50,075</u>
<b>Net cash provided by operating activities</b>	<u>238,891</u>

**NET INCREASE IN CASH** 238,891

**CASH - BEGINNING OF YEAR** 1,058,482

**CASH - END OF YEAR** \$ 1,297,373

See notes to basic financial statements.



# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Fulton County Industrial Development Agency (Agency) have been prepared in conformity with U.S. generally accepted accounting principles. Significant accounting policies are:

#### **Organization**

The Agency is an Industrial Development Agency duly established under Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 665, Section 895C, of the Laws of 1970 of the state and is a public benefit corporation of the state.

The Agency was formed for the purpose of encouraging economic growth in the County of Fulton. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Fulton County Board of Supervisors, is a separate entity and operates independently of the County of Fulton.

#### **Basis of Accounting**

The Agency is required by New York State to maintain its books on the accrual basis of accounting.

#### **Budgetary Accounting**

In accordance with Section 861 of the General Municipal Law, the Agency prepares and adopts annual budgets.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

#### **Advertising Costs**

The Agency's advertising costs are expensed as incurred. There was no advertising expense for the year ended December 31, 2016.

#### **Fair Value of Financial Instruments**

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, management considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

#### **Development Project Assets**

Development project assets, consisting of land and site improvements acquired by the Agency, are stated at cost (or estimated historical cost) and include interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Major additions and betterments are capitalized, while maintenance and repairs which do not appreciably extend the useful lives of the related assets are charged to expense as incurred. There are no reversionary interests by the grantor in the assets (see also Notes 2 and 4 following).

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Lot Sales**

Certain lot sales are capitalized lease purchase agreements. The leases are structured to receive full payment at lease inception and are recorded as sales by the Agency at that time. Other lot sales are direct sales in which title to the property transfers to the purchaser.

**NOTE 2 – CASH – RESTRICTED**

- A. The Agency entered into an agreement with the City of Johnstown whereby the Agency is to develop the Johnstown Industrial Park (Park). The City of Johnstown (City) conveyed title to 175 acres of land to the Agency pursuant to Local Law No. 2 of 1989.

The Agency is to develop, operate and manage the Park. All revenues generated from the lot sales in the Park are to be allocated between the City and the Agency as follows:

1. Seven percent of gross revenues are to be retained by the Agency for administrative costs.
2. Of the remaining balance:
  - a. Fifty percent shall be paid to the City; and
  - b. Fifty percent shall be retained by the Agency and deposited in an interest-bearing account dedicated solely for the use in future industrial and economic development-type projects within the City, or outside the City with their approval.

- B. Restricted cash balances at December 31, 2016, are as follows:

City of Johnstown (a. above)	<u>\$ 465,470</u>
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**NOTE 3 – DEVELOPMENT PROJECTS**

The Agency's development projects at December 31, 2016, are as follows:

Crossroads Industrial Park	\$ 120,000
Crossroads Business Park	1,925,000
Johnstown Industrial Park	305,629
Tryon Technology Park	797,108
Regional Business Park	<u>5,300</u>
<b>TOTAL</b>	<b><u>\$ 3,153,037</u></b>

The development projects consist of land acquisition costs and site improvements; i.e., roads, water and sewer lines and landscaping. For the year ended December 31, 2016, the Agency sold two lots in which title to the property transferred to the purchaser. In addition, a lot owned by the IDA and leased to the CIC was used as collateral on a mortgage held by the Bank. The CIC went into default and as a result of the foreclosure sale the title was transferred to the Bank.

# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

### NOTE 4 – LONG-TERM DEBT

As part of the Crossroads Business Park project, the Agency entered into an agreement with five local governmental and nonprofit entities. Each entity, including the Agency, provided funds necessary to meet the \$665,000 local match requirement of the EDA grant. The agreement provides that the Agency retain the first \$100,000 received for sale of lots of the Crossroads Business Park. Thereafter, the Agency, after deducting an administrative fee and any other customary sale or lease expenses, shall repay the project participants (including the Agency) at the percent of participation that each entity provided to the total \$665,000 local match.

Interest was accrued at 5½% on the unpaid balances for a maximum of seven years (ending in 2005). Therefore, for the year ended December 31, 2016, interest expense totaled \$-0-.

This balance is comprised of amounts due to the following entities:

City of Groversville	\$ 150,267
Board of Water Commissioners	89,124
Community Development Agency	74,961
Promote Groversville Development Agency	50,089
Fulton County Economic Development Corporation	<u>150,267</u>
<b>TOTAL</b>	<b><u>\$ 514,708</u></b>

### NOTE 5 – INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the state. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2016, the original issue value of bonds issued aggregated \$7,150,000 and the outstanding balance was \$3,328,815. Refer to the Schedule of Industrial Development Revenue Bonds on page 20.

In 2016, Nathan Littauer Hospital paid off the balance of the IDA bonds issued for the Hospital's 1999 Surgical Suite Expansion project.

### NOTE 6 – INVESTMENTS

The Agency's investment policies are governed by state statutes. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States Government and its agencies and obligations of any state and its municipalities and school districts.

At December 31, 2016, all deposits are fully collateralized.

### NOTE 7 – SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through the issuance date of the report. None were considered material to the issued financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Chairperson and Board of the  
Fulton County Industrial Development Agency  
Johnstown, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fulton County Industrial Development Agency, a public benefit corporation, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fulton County Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fulton County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fulton County Industrial Development Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fulton County Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York  
March 14, 2017

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS**

**DECEMBER 31, 2016**

<u>PROJECTS</u>	<u>CURRENT INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUED</u>	<u>PRINCIPAL PAID</u>	<u>INTEREST PAID</u>	<u>DECEMBER 31, 2016 BALANCE</u>
Nathan Littauer Hospital Association project	Variable	\$ 2,785,000	\$ 0	\$ 2,785,000	\$ 83,550	\$ 0
Fulton County YMCA, Inc.	3.25%	2,049,831	0	113,611	66,023	1,936,220
Nathan Littauer Primary Care Center project	4.75%	<u>1,431,579</u>	<u>0</u>	<u>38,984</u>	<u>68,280</u>	<u>1,392,595</u>
<b>TOTALS</b>		<u>\$ 6,266,410</u>	<u>\$ 0</u>	<u>\$ 2,937,595</u>	<u>\$ 217,853</u>	<u>\$ 3,328,815</u>

See accompanying notes.

# **FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **CODE OF ETHICS**

### **I. INTRODUCTION:**

This Code of Ethics shall apply to all members, staff and other employees of the Fulton County Industrial Development Agency (AGENCY). These policies shall serve as a guide for official conduct and are intended to enhance the ethical and professional performance of the AGENCY's directors and employees and to preserve public confidence in the AGENCY's mission.

### **II. RESPONSIBILITY OF MEMBERS, STAFF AND EMPLOYEES:**

- A. Members, staff and employees shall perform their duties with transparency, without favor and refrain from engaging in outside matters of financial or personal interest, including other employment, that could impair independence of judgment, or prevent the proper exercise of one's official duties.
- B. Members, staff and employees shall not, directly or indirectly, make, advise or assist any person to make any financial investment based upon information available through the director's or employee's official position that could create any conflict between their public duties and interests and their private interests.
- C. Members, staff and employees shall not accept or receive any gift in excess of seventy-five dollars (\$75), whether it be in the form of financial payments, services, loans, travel reimbursement, entertainment, hospitality, thing or promise from any entity doing business with or before the AGENCY.
- D. Members, staff and employees shall not use or attempt to use their official position with the AGENCY to secure unwarranted privileges for themselves, members of their family or others, including employment with the AGENCY or contracts for materials or services with the AGENCY.
- E. Members, staff and employees must conduct themselves at all times in a manner that avoids any appearance that they can be improperly or unduly influenced, that they could be affected by the position of or relationship with any other party or that they are acting in violation of their public trust.
- F. Members, staff and employees may not engage in any official transaction with an outside entity in which they have a direct or indirect financial interest that may reasonably conflict with the proper discharge of their official duties.
- G. Members, staff and employees shall manage all matters within the scope of the AGENCY's mission independent of any other affiliations or employment. Members, staff and employees employed by more than one government shall strive to fulfill their professional responsibility to the AGENCY without bias and shall support the AGENCY's mission to the fullest.
- H. Members, staff and employees shall not use AGENCY property or resources or disclose information acquired in the course of their official duties in a manner inconsistent with State or local law and the AGENCY's mission and goals.

### **III. IMPLEMENTATION OF CODE OF ETHICS:**

- A. This Code of Ethics shall be provided to all members, staff and employees upon commencement of employment or appointment and shall be reviewed annually by the Governance Committee.

- B. The AGENCY may designate an Ethics Officer, who shall report to the AGENCY and shall have the following duties:

- Counsel in confidence AGENCY members, staff and employees who seek advice about ethical behavior.
- Receive and investigate complaints about possible ethics violations.
- Dismiss complaints found to be without substance.
- Prepare an investigative report of their findings for action by the Executive Director or the board.
- Record the receipt of gifts or gratuities of any kind received by the director or employee, who shall notify the Ethics Officer within 48 hours of receipt of such gifts and gratuities.

#### **IV. PENALTIES:**

- A. In addition to any penalty contained in any other provision of law, an AGENCY, members, staff or employee who knowingly and intentionally violates any of the provisions of this code may be removed in the manner provided for in law, rules or regulations.

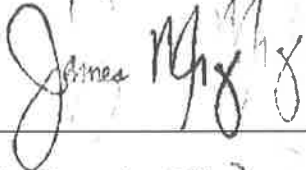
#### **V. REPORTING UNETHICAL BEHAVIOR:**

- A. AGENCY members, staff and employees are required to report possible unethical behavior by a member, staff or employee of the AGENCY to the Ethics Officer. Ethics complaints may be filed anonymously and are protected from retaliation by the policies adopted by the AGENCY.



### **CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, James Mraz, certify that I am the Chief Executive Officer of Fulton County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2016.

Signature:  \_\_\_\_\_

Title: Chief Executive Officer

### **CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Carol Ellis, certify that I am the Chief Financial Officer of Fulton County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2016.

Signature:  \_\_\_\_\_

Title: Chief Financial Officer

